



The ABC's and 1, 2, 3's of a New N.D. Tax Credit for Donations to Catholic Schools

The 2019 North Dakota Legislature expanded tax credits for non-public schools, which means charitable gifts to Catholic schools in N.D. are now eligible for a special N.D. tax credit. This is big news to those who make annual or regular contributions to their favorite Catholic School.

N.D. resident taxpayers (individuals, corporations or fiduciaries) are allowed a non-refundable credit equal to 50% of the amount of the contribution but limited to 25% of the taxpayer's total income tax OR \$2,500, whichever is less. (ND Century Code 57-38-01.7). There is no carry forward of these credits when filing returns, so taxpayers will likely want to apply these credits before applying other available credits.

Each year, a donor may take one tax credit for a charitable donation to a Catholic elementary school and another tax credit for a charitable donation to a Catholic high school, if they make two separate charitable donations. The credits for charitable donations begins with any donation made on or after January 1, 2019.

Example: John and Mary figure they will owe \$1,000 income tax to N.D. for the year 2019.

With some clever planning, they make two donations: one \$500 donation to a Catholic elementary school and another \$500 donation to a Catholic high school. Because of these donations, they will now earn a \$250 ND Tax Credit for each gift. They now can reduce their tax bill by \$500 (2 x \$250), and only have to pay the remaining \$500 in income tax.

Here are the kinds of donations that will and will not work for this tax credit:

Donations to the Catholic school's annual appeal or general operating fund: yes

Donations to the Catholic school's capital campaign: yes

Donations to the Art Department, Music Department, Athletic Club: no

School tuition payments: no

As usual, for your own unique tax situation, please consult your accountant or a professional tax advisor.

Endowment Contributions

Additionally, tax credits are still available for contributions to qualified N.D. endowment funds. Gifts of \$5,000 or more to a qualified endowment fund (school related or not) are eligible for a tax credit equal to 40% of the charitable gift. A qualified endowment fund may be established to provide scholarships. The maximum credit is \$10,000 for an individual; \$20,000 for married individuals filing a joint return; and \$10,000 for corporations and pass-through entities. Any unused portion of the credit can be carried forward for up to three taxable years, so this credit can be applied *after* the non-public school credits. (ND Century Code 57-38-01.21). As usual, for your own unique tax situation, please consult with your accountant or a professional tax advisor.